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Intellectual property law in Canada: 2021 A year in review

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2021 was another milestone year. We take a look back at key developments impacting the intellectual property (IP) landscape in Canada for the core areas of patent, trademark, and copyright law, updating you on key changes.

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Trademark registration serves as a shield against a Swiss Army sword

On September 29, 2021, the Supreme Court of Canada effectively concluded an almost ten-year duel between the iconic Swiss Army knife company Wenger and a Canadian luggage company by the name of Travelway. Both companies owned Canadian trademark registrations incorporating a cross design resembling the Swiss flag and extending to luggage. Wenger initiated a trademark infringement and passing off proceeding and sought cancellation of Travelway's trademark registrations, based primarily on a likelihood of confusion. The case was dismissed by the Federal Court Trial Division. The Federal Court of Appeal, however, allowed the appeal, finding infringement as well as passing off, and referring the issues of cancellation of Travelway's registrations and damages back to the Trial Division. It subsequently cancelled Travelway's registrations but dismissed Wenger's claim for damages.

Wenger appealed the decision and the only issue before the Federal Court of Appeal was whether Wenger was entitled to compensation for Travelway's use of its own registered trademarks prior to the date when they were cancelled. The Federal Court of Appeal held that Wenger was not entitled to damages for the period during which its trademark registrations were extant. In the absence of fraud, willful misrepresentation or bad faith, a trademark registration is presumed valid and bestows its owner with the right to the exclusive use of the mark across Canada. A trademark owner is not liable for use that falls within the scope of its registered rights.

While the Court of Appeal also held that Travelway should not have been held liable for passing off in light of its trademark registrations, it concluded that monetary compensation should be awarded to Wenger for passing off since Travelway did not appeal that aspect of the Court's decision. Wenger was accordingly granted an accounting of profits but explicitly overruled its earlier decision and cautioned that its "2017 decision finding passing off should not be followed as authority in future cases".

Depreciation of goodwill in famous marks

The Trademarks Act (Canada) provides a registered trademark holder the right to file a lawsuit against another person who is depreciating the goodwill of their registered trademark. Two more recent and separate cases, *Toys "R" Us (Canada) Ltd. v. Herbs "R" Us Wellness Society*, 2020 FC 682, and *Subway IP LLC v. Budway, Cannabis & Wellness Store*, 2021 FC 583 highlight the four part legal test which a registered mark holder must meet to be granted relief by the Court for depreciation of goodwill:

1. The registered trademark was used by a defendant in connection with goods or services, whether or not such goods or services are competitive with those of the registered mark holder;
2. The registered trademark is sufficiently well known to have significant goodwill attached to it;
3. The registered trademark was used in a manner likely to have an effect on its goodwill (i.e. linkage);
4. The likely effect of the usage would be to depreciate the value of the registered mark holder's goodwill (i.e. damage).

The primary comparison marks in the two cases were as follows:



In both cases, the defendant was running a cannabis dispensary. The Federal Court found that the respective depreciating marks were being used by the respective defendant in connection with their cannabis dispensary. Furthermore, the Toys R US and Subway trademarks are significantly well known and have significant goodwill attached to them. In addition, the first defendant's use of Herbs R Us and second defendant's use of Budway created a linkage with the respective mark being depreciated in the mind of a somewhat-hurried consumer. Finally, the use of Herbs R Us and Budway marks was likely to damage and depreciate the goodwill of the Toys R Us and Subway marks by whittling away at those brands power to distinguish the goods and services associated with those marks from the goods and services of others.

The Herbs R Us and Budway cases provide practical guidance to other registered trademark holders that to protect against depreciation of goodwill, best practice is to: (i) apply and obtain registered trademark rights under the Act, (ii) maintain organized files of sales data, advertising costs, revenues and customer recognition, among other documents and data, to be able to prove goodwill and (iii) be prepared to monitor and enforce your registered trademark rights for any potential depreciation.

Secondary meaning, geographic locations and the enforceability of trademark rights

The limitations to enforcing one's right to a geographic name nestled in Niagara wine country is discussed in the *Federal Court decision, Hidden Bench Vineyards & Winery Inc. v. Locust Lane Estate Winery Corp* 2021 FC 156.

The parties to this court proceeding operated wineries on adjacent properties on a road named Locust Lane. The plaintiff, Hidden Bench Vineyards & Winery Inc. sold wines since 2003, some of which are labelled and marketed using "Locust Lane". The defendant Locust Lane Estate Winery Corp. began operation in 2019 using the name "Locust Lane Estate Winery" for its business, and to label and market its wines and related services.

Hidden Bench claimed ownership of the unregistered trademark LOCUST LANE and sought relief from the court under the tort of passing off (paragraphs 7(b) and (c) of the *Trademarks Act* (Canada)).

In establishing statutory passing off in Canada, the claimant must first prove ownership of a valid trademark. Locust Lane Estate argued that Hidden Bench did not own the trademark LOCUST LANE because the name of the road is clearly descriptive of the place of origin of the goods and services and was therefore not inherently distinctive, nor had it acquired distinctiveness through use by Hidden Bench.

The court found that Hidden Bench had established valid use of their LOCUST LANE trademarks in association with their goods and services.

The court next turned its attention to the passing off analysis, considering the three components:

1) existence of reputation or goodwill; 2) deception of the public due to misrepresentation; and 3) actual or potential damage.

When assessing goodwill, the court considered the inherent and acquired distinctiveness of Hidden Bench's LOCUST LANE trademarks. Hidden Bench argued that their LOCUST LANE marks did not contravene paragraph 12(1)(b) of the Act as the prohibition against trademark rights to a geographic location did not apply to a road. The court did not agree, stayed consistent with recent decisions limiting protection of geographical descriptive marks, and found that the LOCUST LANE marks were clearly descriptive and lacked inherent distinctiveness. With respect to acquired distinctiveness, Hidden Bench's volume of sales since 2005 was not enough to establish secondary meaning.

The court then looked at the context of Hidden Bench's use of LOCUST LANE. Use of the mark on wine labels was not prominent and distinctive from the house mark HIDDEN BENCH so as to prove that the descriptive words had acquired secondary meaning. The court concluded that Hidden Bench had not established the goodwill necessary to succeed in a passing off claim and the case was dismissed.

Descriptive trademarks are difficult to protect and enforce in Canada without establishing that they have developed secondary meaning.

Do you need a bit of extra help stopping infringement? Canada's Federal Court may be willing to help

In *Teksavvy Solutions Inc. v. Bell Media Inc.*, 2021 FCA 100, the Federal Court of Appeal upheld what it characterized as a court order that was “unprecedented” in Canadian legal history.

The case concerned allegations of copyright infringement against two unknown individuals operating GoldTV, who were accused of illegally streaming content owned by others through their websites. Although an injunction was obtained to stop the defendants from continuing their infringement, they did not respond to the lawsuit or comply. To actually stop the infringement from occurring, the Federal Court issued an order requiring several Internet Service Providers (ISPs) to block their customers from accessing the GoldTV websites. Such a “site-blocking” order against ISPs, who themselves were not committing any infringement, had never before been granted in Canada.

The Federal Court of Appeal found that while the *Copyright Act* does not specifically provide for site-blocking orders, it provides discretion to the Court to grant all remedies that are or may be conferred by law

for infringement of a right. The Court held that this was sufficiently broad to support a site-blocking order. The Court held that the usual tri-partite test for mandatory injunctive relief applied and was met, finding that there was a strong *prima facie* case of infringement and that irreparable harm existed in the form of continuing infringement by anonymous defendants. The Court further held that the balance of convenience favoured granting the order, as less intrusive alternatives would not necessarily be effective, and safeguards were built into the order to address concerns over blocking of legitimate non-infringing content.

An application for leave to appeal the decision to the Supreme Court of Canada was filed in November of 2021, and is still being considered.

The key takeaway from this decision is that the Federal Court is willing, where required, to grant creative remedies directly impacting third parties who are not themselves committing any wrong, in order to effectively stop infringement. A further decision from the Supreme Court may be forthcoming on this matter in 2022.

Fair dealing with copyrighted works

The Federal Court of Canada's decision in *CBC v. Conservative Party of Canada* (2021 FC 425) provides copyright owners and users with additional guidance on the interpretation of the *Copyright Act's* "substantial part" requirement for infringement cases and the application of the Act's "fair dealing" defence.

During the 2019 federal election campaign, the defendant created an online advertisement and social media posts containing five excerpts taken from two news programs produced by the plaintiff and four excerpts from a leaders' debate broadcast by the plaintiff. The news program excerpts ranged from 4-8 seconds in length while the debate excerpts ranged from 14-42 seconds in length. The plaintiff sued for copyright infringement.

The defendant advanced two arguments: first, that the excerpts were too short to constitute a "substantial part" of the plaintiff's works and therefore did not constitute infringement; second, even if what they copied was a substantial part, the copying was permissible fair dealing. The court rejected the first argument, but accepted the second.

The court's remarks about the unsuccessful "not a substantial part" defence warrant attention. Noting its analysis needed to be both quantitative and qualitative, the court concluded that the plaintiff's copyright-protected work consisted of the skill and judgment displayed by the plaintiff and its employees in creating the "artistic design, production services (lighting camera work, audio, etc.) and journalistic decisions (i.e., the flow of discussions ... and posing of questions" contained in the excerpts. The court stated that "[e]ven a single still image can represent a substantial

reproduction of a cinematographic work". It is difficult to reconcile this analysis with the Supreme Court of Canada's observation in *Cinar Corporation v. Robinson* (2013 SCC 73) that copyright "does not protect every 'particle' of a work, 'any little piece the taking of which cannot affect the value of [the] work as a whole'".

The excerpts in question constitute, on average, less than 0.5% of the work from which they were taken – if that does not constitute a non-infringing "little piece", it is difficult to imagine what would. The notion that even a single frame of footage could constitute copyright infringement seems to eviscerate the Act's requirement that a taking must constitute a "substantial part" for there to be actionable infringement. In light of the court's conclusions on this point, the scope of copyright infringement occurring is truly staggering: every internet meme or texted .gif using a recognizable screenshot from a film or television show is *prima facie* infringement.

The court's fair dealing analysis provides productive guidance on how to interpret allowable "criticism". Giving the purpose its requisite "large and liberal" interpretation, the court concluded that the clips could be used not just for the purpose of criticizing the works from which they were taken (as one might take a clip from a film to criticize the film) but could be used to criticize the "ideas" found in a work and the "social or moral implications" thereof. Here, the clips were permissibly used to criticize the politician (Justin Trudeau) depicted and discussed in the clips and his policies. The balance of the remaining fair dealing factors fell in favour of the defendant, and so the plaintiff's infringement claim was dismissed.

Canada consults on modernizing rules for “online intermediaries”

The Canadian government launched a consultation in April 2021 to review and potentially overhaul the *Copyright Act* framework for online services. Stakeholders include a broad swath of industry players. Services targeted range from more active platforms, such as social media and free streaming platforms; to more passive, such as ISPs, cloud storage and web hosting; to those that operate in both camps, such as search engines. The 2012 *Copyright Modernization Act* amendments were intended to address both “safe harbour” type protections for internet intermediaries, as well as remedies such as a made-in-Canada style “notice and notice” regime for the benefit of copyright owners. In the past decade, services and content available online have evolved and proliferated to a point where the government is now seeking to renew the overall framework, both to catch up with current technologies and business models, and to try to establish an adaptive regime that will better stand the test of time, as things inevitably continue to change. And it is doing so via amendments to the *Copyright Act*, the *Broadcasting Act*, and related statutes.

Copyright

The government’s consultation contemplated the following actions:

- “Clarify intermediaries’ safe harbour protections against liability for copyright infringement, including how intermediaries’ knowledge of infringement and content-related activities affect their liability as well as their attendant obligations;
- Compel remuneration of rights holders through collective licensing of their copyright-protected content on certain platforms;

- Increase transparency in rights holders’ remuneration and online uses of their content; and
- Clarify or strengthen rights holders’ enforcement tools against intermediaries, including by way of a statutory “website-blocking” and “de-indexing” regime.”

The availability of third-party website blocking as a copyright enforcement remedy was the subject of an ongoing case before the Federal Court of Appeal. The Court heard from broadcasters, program rights owners, internet service providers and interveners representing all sides of the issues at stake, from copyright law and policy and the underlying broadcast regulatory regime, to the obligations of online services in other jurisdictions, to net neutrality and freedom of expression considerations.

Broadcasting

In November 2020, the government tabled amendments to the *Broadcasting Act* with the objective of regulating digital service providers of audiovisual and audio programming. Bill C-10 purported to “level the playing field” between traditional broadcasters, and online broadcasting undertakings “including those serving Canada from abroad.” The Bill died on the Order Paper when an election was called and Parliament was dissolved in August 2021. The latest publication of Bill C-10 is available [here](#). The Liberal Party was re-elected as a minority government on September 20, 2021, and is expected to reintroduce a bill to amend the *Broadcasting Act* in 2022. Amendments to the Act will have repercussions for content production and licensing in years to come.

Reverse class actions used to enforce copyright

In *Salna v. Voltage Pictures, LLC*, [2021 FCA 176](#), the Federal Court of Appeal ruled that it is possible for a rights holder to sue a “class” of defendants for infringing its copyright. BitTorrent is a service that allows individuals to post copyrighted content onto the Internet and make them available to other users for simultaneous multi-source downloads and uploads. Voltage pictures obtained a court order allowing it to identify users that it alleged were engaged in improper sharing and copying of its films.

The Federal Court of Appeal ruled that, in principle a reverse class action is available if five factors: i) a valid cause of action; ii) some factual basis for establishing that there is an identifiable class of defendants; iii) the existence of common issues; iv) the size and shape of the proposed class and some evidence about how class membership would be determined; and v) the appropriateness of the representative defendant.

The Federal Court of Appeal held that the proposed reverse class action “tests the limits of what constitutes copyright infringement.” It also held this to be an innovative development in the means by which authors attempt to protect their work in a digital environment. Further, it held that the novelty of the proposed class action did not constitute “a reason to deny an application to certify the proceeding. The proposed class proceeding may ultimately flounder” but “the law must be allowed to evolve.”

This decision is subject to criticism over how “opting out” could work, especially as relates to the representative defendant. Moreover, there are questions about whether class members would actually come forward or whether there would be a need to serve each and every one of them with process, which is a daunting task. This decision creates a litany of challenges for defence counsel as well given that they would effectively be subject to a litigation plan developed by the plaintiff. One key issue is how defence counsel would be paid.

Lingering uncertainty of an “abstract idea” and patent-eligibility of the same

A patent for an invention provides its owner with an exclusive right to practice the invention, thereby excluding competitors and enabling a competitive edge in the marketplace. The possibilities of what can be patented are vast, but the precise boundaries of what can be patented, commonly referred to as “patent eligibility”, continues to evolve over time based on jurisprudence. The jurisprudence in the United States is extensive, but unfortunately it is not always clear and consistent.

In a recent Federal Circuit decision in [Yu v. Apple Inc.](#), a majority decided that an improved digital camera is directed to an “abstract idea” and not patent-eligible. In particular, a majority held that the claims of U.S. Patent No. 6,611,289 are “directed to the abstract idea of taking two pictures ... and using one picture to enhance the other in some way”. In the United States, claims that are directed to an abstract idea are patent-eligible only if the claims amount to “significantly more” than the abstract idea, which can be a very difficult test to pass, in part because it conflates patent-eligibility with other issues such as novelty, obviousness and even enablement, and in the present case the improved digital camera did not pass this test.

The problem with American jurisprudence is that the precise boundaries of an “abstract idea” has not been properly defined, leaving a great deal of uncertainty. Notably, even though the Supreme Court of the United States has had several opportunities to address this issue, it has avoided to do so. In [Bilski v. Kappos](#), the Supreme Court held that a method of investment risk hedging is not patent-eligible, on the basis that it is directed to an abstract investment strategy, but did not actually define an “abstract idea”. In [Alice v. CLS Bank](#),

the Supreme Court held that intermediated settlement is directed to an abstract idea, but did not actually define an “abstract idea”. In fact, the Supreme Court specifically stated that they “need not labor to delimit the precise contours of the “abstract ideas” category in this case” because “[i]t is enough to recognize that there is no meaningful distinction between the concept of [investment] risk hedging in *Bilski v. Kappos* and the concept of intermediated settlement at issue here.”

The Federal Circuit’s decision in *Yu v. Apple Inc.* highlights how the precise boundaries of an “abstract idea” continues to remain unclear. In a dissenting opinion, Judge Newman criticized the majority and stated that “fresh uncertainties engendered by the majority’s revision of Section 101 are contrary to the statute and the weight of precedent, and contrary to the public’s interest in a stable and effective patent incentive.”

Under current examination guidelines, a claim reciting an “abstract idea” is not directed to the abstract idea and is patent-eligible if it recites additional elements that integrate the abstract idea into a practical application. Luckily, the additional elements do not need to be new or inventive. As a result, patent eligibility under the current examination guidelines is generally patent-friendly, even if some decisions such as *Yu v. Apple Inc.* seemingly run counter to this. For instance, 63% of US patents issued in 2020 were software-related, extending a trend of allowing new and emerging technologies to be patented.

Ontario Superior Court recognizes tort of internet harassment

In *Caplan v. Atas*, 2021 ONSC 670, the Ontario Superior Court of Justice recognized the tort of online harassment.

Caplan arose as the result of a systematic campaign of online conduct—including allegations of pedophilia and professional misconduct—that went on for over a decade and was allegedly orchestrated by the defendant, Nadire Atas. Her targets included adverse litigants, her own lawyers and agents, relatives of these people, a former employer, its successor, owners, managers, and employees, and a circle of victims chosen to “cause misery to [the defendants’] prime victims.”

In *Caplan*, the Court held that the tort of internet harassment should be recognized and was made out in this case. It was held that Atas’ conduct did not seek to defame the victims, but rather aimed to “harass, harry and molest”, which Justice Corbett noted could result in real harm by causing fear, anxiety and misery.

Drawing on American authority for the existence of the tort of online harassment, the Court noted that the tort comprised of the following elements: where the defendant “maliciously or recklessly engages in communications conduct so outrageous in character, duration, and extreme in degree, so as to go beyond all possible bounds of decency and tolerance, with the intent to cause fear, anxiety, emotional upset or to impugn the dignity of the plaintiff, and the plaintiff suffers such harm.” The Court held that the facts of this case fit within the tort of online harassment.

As a remedy for Atas’ conduct, a permanent injunction was granted restraining her from any and all internet communications with respect to all her victims. The Court also vested title in all postings to the plaintiffs, with ancillary orders to have the content removed. That entitled the plaintiffs to enforce the injunction, including where the harassing conduct was directed against a third party for the purpose of harassing a plaintiff.

This case represents a significant advancement in the common law’s response to improper online behavior. As Atas was self-represented and without resources (she filed for bankruptcy in an effort to prevent judgment) it is unclear whether the Court of Appeal will have the opportunity to weigh in on the longevity of this tort. Whether damages are available where the elements of this tort are made out remains to be seen, especially given one of the grounds for recognizing the tort of online harassment was that Atas’ was judgment-proof and that a new tort was needed to “provide remedial breadth not available in the law of defamation.” If damages are available, it is not clear how a court will measure them for the harms of “fear, anxiety, emotional upset” or impugned dignity.

Unless the legislature heeds the court’s statement that there is a need for regulation to curb online harassment (such as exists in Nova Scotia and Manitoba), victims will have to turn to the courts, and in particular this new tort, to curtail online harassment.

For more information on IP law, reach out to any member of Dentons Canada’s [Intellectual Property and Technology group](#).

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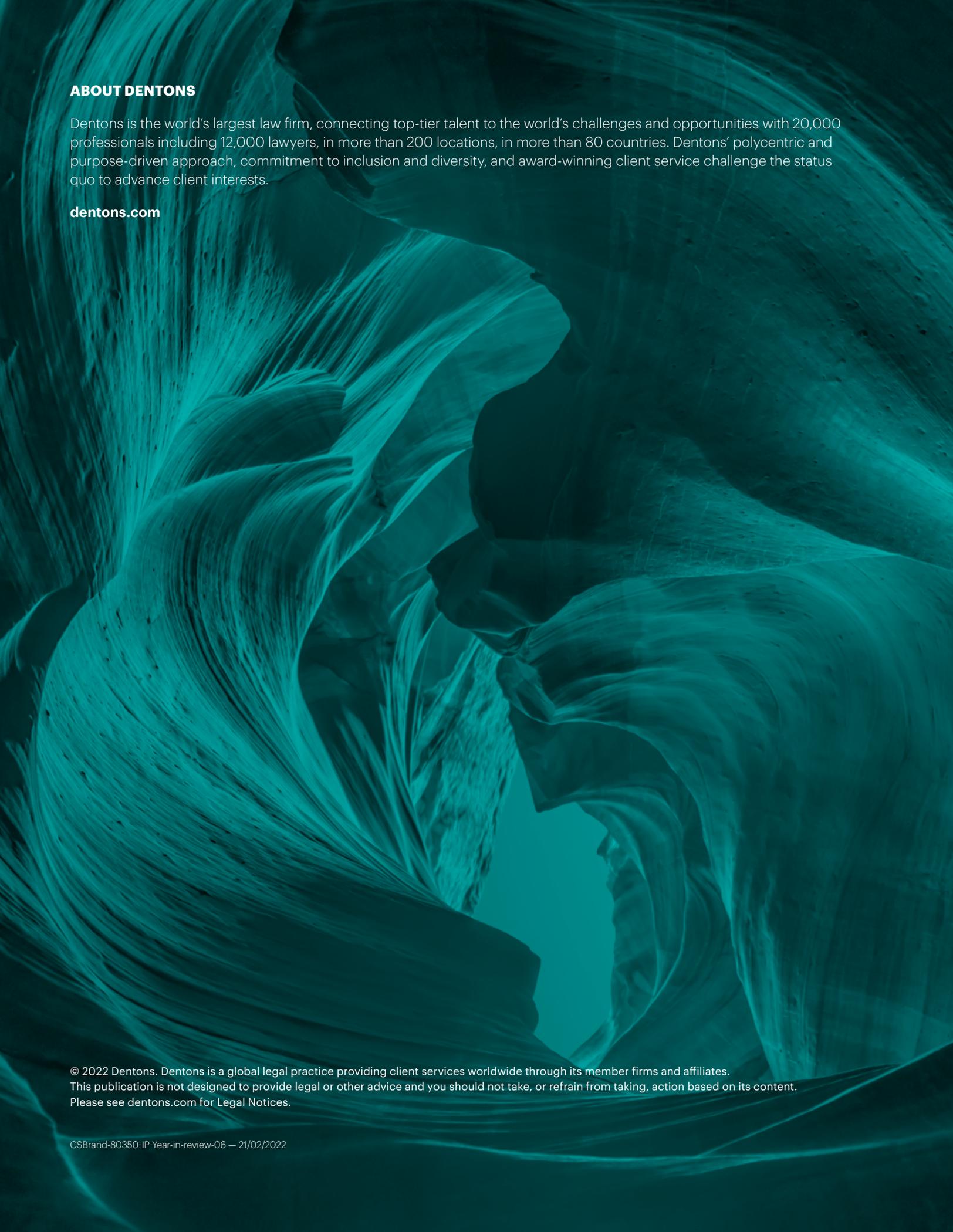
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